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EXHIBIT "A" TO

WATER RESOURCES CONTROL BOARD

INTERAGENCY AGREEMENT NO. 2-118-225-0

GENERAL PROVISIONS

A. General

- 1. This agreement shall be funded through grants provided by the United States Environmental Protection Agency and administered by the California State Water Resources Control Board, to support partially the cost of the Class II portion of the Underground Injection Control program administered by the California Division of Oil and Gas, Department of Conservation.
- 2. Standard Form No. 13 provisions, the Exhibits and Attachments incorporated thereby, and changes thereto, are essential terms of this agreement and compliment, describe and provide for completion of services.
- 3. Unless otherwise provided herein, any inconsistency in this agreement shall be resolved by giving precedence in the following order: 1) Standard Form No. 13; 2) Exhibit A; 3) Exhibit B; 4) Exhibit C; 5) Exhibit D.

B. Definitions:

- The term "State Board" means the California State Water Resources Control Board, acting by and through its authorized representative.
- 2. The term "Division" means the Division of Oil and Gas, Department of Conservation, acting by and through its authorized representative.

 Reference to "Division" shall also constitute reference to the Department of Conservation.
- 3. The term "EPA" means the United States Environmental Protection Agency, acting by and through its authorized representative (EPA Region 9).

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- 4. The term "SDWA" means the United States Safe Drinking Water Act.
- 5. The term "UIC" means the EPA's Underground Injection Control program.
- 6. The term "Class II program" means the Class II portion of the Underground Injection Control program.
- 7. The terms "Program Coordinator" and "Program Representative" mean the representatives of the Division and State Board, respectively, designated and authorized to act in their behalf.
- 8. The term "PRC" means the California Public Resources Code.

C. Designation of Program Officials:

- 1. The Division's Program Coordinator shall be Robert Reid. The Division's Program Coordinator shall be the Division's representative, responsible for statewide Class II program oversight and shall be the coordinator for those procedural activities between the Division and the State Board described in Exhibit C.
- 2. The State Board's Program Representative shall be Jack Hodges. The State Board's Program Representative shall be the Board's representative responsible for coordinating the Class II program activities of the State Board through its Regional Water Quality Control Boards, and for providing liasion between the State Board and the Division.
 - 3. Either party may change its program official at any time on written notice to the other.

D. Program Background and Contractual Relations of the Parties:

- 1. Section 1425 of the SDWA permitted the EPA to delegate primacy for protecting underground sources of drinking water from endangerment by subsurface fluid injection and disposal of oilfield waste water to states who demonstrate acceptable injection control programs.
- 2. In accordance with Section 1425(a) of the SDWA, an application was filed by the Division with the EPA demonstrating California's ability to prevent degradation to underground sources of drinking water through its existing underground injection control program.

- 3. The Division's demonstration was accepted and a Memorandum of Agreement, Exhibit B, was provided by the EPA which delegated primary responsibility and authority (primacy) to the Division to administer the Class II program in California, including injection wells drilled and operated on Federally owned lands, except Indian lands. Specific instructions and procedures for administering the Class II program are prescribed in Exhibit B.
- 4. Interagency procedures adopted by the State Board and Division to coordinate statutory responsibilities and standardize program administrative transactions, are prescribed in State Board Memorandum of Agreement, Exhibit C.
- 5. Administration of the Class II program pursuant to the conditions of the Memorandum of Agreement between EPA and the Division will require expansion of the Division's current well inspection and reporting activities. The State Board has acknowledged the Division's need for additional support resources and has submitted an application to the EPA for funds to administer the Class II program.
- 6. Nothing is this agreement shall be construed to restrict or violate either party's statutory responsibilities, to alter any of the requirements of the SDWA, or to circumvent any procedural directives established by the EPA to effectively administer the Class II program.

E. Prosecution of the Work:

- 1. This agreement is contingent on EPA's approval on the State Board's initial grant application and any subsequent applications, and the distribution of such funds to the Division as required by the Division for administering the Class II program. In the event that funds provided by the EPA are not entirely adequate to support both the Division's Class II well injection and reporting activities and the State Board's administration of the other classes of injection under the UIC program, the State Board shall distribute such funds in an equitable manner.
- 2. Initial funding for this agreement is contingent upon EPA approval of a grant totaling \$79,964.00. Continuation of work beyond the initial level of funding shall be contingent upon the availability of funding through future grants approved by EPA.
- Also, the agreement shall have no force or effect unless and until this agreement has been reviewed and approved by the Department of General Services.

4. All work performed under this agreement shall be as prescribed in Exhibit C and in accordance with the conditions and procedures established by the EPA in Exhibit B for the administration of the Class II program.

F. Changes, Amendments, Term, and Termination:

- 1. Changes to Exhibit C concerning coordinated application, review, permitting, and reporting procedures adopted by the State Board and Division, may be proposed in writing at any time by either party or their authorized representative provided that any change does not conflict with any similar procedures or requirements established by the EPA in Exhibit B, and is consistent with applicable State statutes, laws and regulations. Such proposals, when approved by the State Board and Division, shall be incorporated and made a part of Exhibit C by attachment thereto.
- 2. Any change to Exhibit B may also be proposed by either party provided the change is reasonable, and will contribute to efficient and effective management of the Class II program. Recommended changes to Exhibit B shall be submitted by the Division to EPA for consideration. If approved by the EPA, the change shall be incorporated and made a part of the exhibit by attachment.
- 3. If a change results in an increase in funding or serves to extend the period of performance under this agreement, the agreement shall be amended to reflect the necessary modification. Any such amendment to this agreement shall not be effective until approved by, or exempted from approval by, the Department of General Services.
- 4. This agreement shall take effect March 14, 1983, the date notice of the Underground Injection Control Class II Program approval was published in the Federal Register, following approval of the agreement by the Department of General Services, and remain in effect through June 30, 1984. Also, the term of this agreement may be extended annually to cover subsequent fiscal year periods by issuing amendments thereto.
- 5. The agreement may be terminated by either party by written notice in the event of substantial failures by the other party to fulfill its obligations under this agreement through no fault of the terminating party.

G. Audits and Records:

The Division agrees to maintain an adequate system for financial management, property management, and audit. Also, to maintain, preserve, and make

available to the EPA and the State Board for the purpose of inspection and Class II program evaluation, those records, including applications, permits and hearing documents collected and used in the administration of the Class II program. Information subject to a claim of confidentiality shall be treated in accordance with instructions governing the inspection and use of such material defined in Section 3234, PRC.

H. Payments and Funding:

- 1. The State Board agrees to reimburse the Division an amount equal to the latter's cost of performance hereunder computed in accordance with Section 8760 of the State Administrative Manual. In no event shall the total amount paid to the Division under this agreement exceed one hundred and seventy-one thousand, forty-five dollars (\$171,045.00), including all applicable State and local sales and use taxes. Nothing herein contained shall preclude advance payments pursuant to Article 1, Chapter 3, Part 1, Division 3, Title 2, Government Code.
- 2. The Division shall provide written notice to the State Board's Program Representative thirty (30) days in advance of any proposed rate changes for direct and indirect costs associated with the work to be performed under this agreement.
- 3. The State Board shall pay the Division in arrears, on a monthly basis, upon submittal of invoices which properly detail all charges and expenses incurred in performance of this agreement. The Division's direct and indirect costs and expenses shall be incurred in accordance with and to the extent permitted within the limitations set forth in Exhibit D to this agreement. Such invoices shall be submitted in triplicate to the State Board's Program Representative, Mr. Jack Hodges, State Water Resources Control Board, Division of Technical Services, P.O. Box 100, Sacramento, CA 95801. All invoices shall be subject to approval by the State Board's Program Representative.
- 4. Inasmuch as the funding for this agreement will be allocated to the Division by the State Board from Federal grant moneys provided by the EPA to the State Board for distribution, the following statements are appropriate:
 - a. It is mutually understood between the parties that this agreement may have been written before ascertaining the availability of EPA grant funds for the mutual benefit of both parties in order to avoid Class II program and fiscal delays which would occur if the agreement were executed after that determination was made.
 - b. This agreement is valid and enforceable only if sufficient funds are available for distribution to the Division by the State Board through grants provided by the EPA for administrative support of

the Division's Class II program. In addition, this agreement is subject to any additional restrictions, limitations, or conditions enacted by the Congress.

- c. It is mutually agreed that if the funds provided by the EPA for the UIC program are insufficient to fully administer the CTass II program, the State Board shall immediately give written notice to the Division and this agreement shall be amended to reflect any acceptable reduction of funds.
- 5. The Division shall maintain such records as are necessary to verify all expenditures of grant funds and shall submit an annual statement of expenditures to the State Board at the end of each fiscal year in which such funds were expended. All records shall be available at reasonable times for inspection by the State Board or any designated representative, upon request, and shall be retained for three (3) years following the terminal date of this agreement and of each and any amendment serving to extend the term of this agreement.

I. Equipment:

Any equipment purchased by the Division with funds provided under this agreement in furtherance of the purposes of this agreement shall be the property of the Division. Title to equipment purchased pursuant to this agreement shall vest in the Division.

Underground Injection Control Program

Memorandum of Agreement

Between

California Division of Oil and Gas

and

the United States Environmental Protection Agency

Region 9

I. General

This Memorandum of Agreement ("Agreement") establishes the responsibilities of and the procedures to be used by the Division of Oil and Gas ("Division") and the United States Environmental Protection Agency ("EPA") in administration of wells in the Class II portion ("Class II program") of the Underground Injection Control ("UIC") program in California. In general, this Agreement supplements the program described in the demonstration submitted in accordance with Section 1425(a) of the Safe Drinking Water Act ("1425 demonstration").

After it is signed by the Supervisor and the Regional Administrator, this Agreement shall become effective on the date notice of the Class II program approval is published in the Federal Register. The parties will review this Agreement at least once each year during preparation of the annual program update, during the State-EPA agreement ("SEA") process or at other times as appropriate (e.g. at mid-year review). The annual SEA shall be consistent with this Agreement and may not override this Agreement.

This Agreement may be modified upon the initiative of either party in order to ensure consistency with State or Federal statutory or regulatory modifications or supplements, or for any other purpose mutually agreed upon. Any such modifications or supplements must be in writing and must be signed by the Supervisor and Regional Administrator.

This Agreement shall remain in effect unless EPA determines that the Division's 1425 demonstration is no longer valid. Such a determination by EPA will be in accordance with Section 1425(c) of the Safe Drinking Water Act ("SDWA").

Nothing in this Agreement shall be construed to alter any requirements of SDWA or to restrict EPA's authority to fulfill its oversight and enforcement responsibilities under SDWA or other Federal laws, or to restrict the Division's authority to fulfill its responsibilities under State statutes. Nothing in this Agreement shall require or be construed to require EPA to violate Federal law or the Division to violate State law.

A. Policy Statement

The purpose of the UIC program is to prevent any underground injection that endangers an underground source of drinking water ("USDW").

The Division has primary responsibility and authority over all Class II injection wells in the State of California. This includes Class II wells drilled and operated on Federally owned lands, but does not include such wells on Indian lands. The Division is responsible for administering the Class II program including but not limited to reports, permits, monitoring and enforcement actions. Implementation of the Class II program will be as described in the 1425 demonstration and will be supported by an appropriate level of staff and resources.

The Supervisor and the Regional Administrator agree to maintain a high level of cooperation and coordination between Division and EPA staff to assure successful and effective administration of the Class II program.

The Division shall promptly inform EPA of any proposed or pending modifications to laws, regulations, or guidelines, and any judicial decisions or administrative actions that might affect the program and the Division's authority to administer the program. The Division shall promptly inform EPA of any resource allocation changes (e.g. personnel, budget, equipment) that might affect its ability to administer the program.

EPA shall promptly notify the Division of the issuance, content, and meaning of Federal statutes, regulations, guidelines, standards, judicial decisions, policy decisions, directives, and other factors (including budgetary changes) that might affect the Class II program.

B. Information Sharing

1. Division

The Division agrees that all information and records obtained or used in the administration of the Class II program including all UIC permit files shall be available for inspection by EPA or its authorized representative upon request. Division records may be copied by the EPA only when they are required by EPA to bring an enforcement action or for other such specific purpose. Any information obtained from the Division by EPA that is subject to a claim of confidentiality shall be treated by EPA in accordance with EPA regulations governing confidentiality (40 CFR Part 2 and 40 CFR 122.19).

The Division shall retain records used in the administration of the program for at least three years (40 CFR 30 and 40 CFR 35). If an enforcement action is pending, then all records pertaining to such action shall be retained until such action is resolved or the previously mentioned time period is met.

2. EPA

Copies of any written comments about the Division's program administration received by EPA from regulated persons, the public, and Federal, State, and local agencies will be provided to the Supervisor within thirty (30) days of receipt.

3. Emergency Situations

Upon receipt of any information that any Class II injection operation is endangering human health or the environment and requires emergency response, the party in receipt of such information shall immediately notify by telephone the other party of the existence of such a situation.

C. Permits

1. <u>Division</u>

Within 10 working days of receipt, the Division shall provide a written response to any written notice of intent to commence drilling.

2. EPA

Upon receipt by EPA, any Class II permit application and supporting information shall be immediately forwarded to the Division.

Some facilities and activities may require permits from the Division and EPA (and/or other State agencies) under different programs. When appropriate, the Division and EPA will participate in a joint permit processing procedure. The procedure will be developed on a case by case basis.

D. Compliance, Monitoring and Enforcement

1. Division

The Division shall adhere to the compliance monitoring, tracking, and evaluation program described in the 1425 Demonstration. The Division shall maintain a timely and effective compliance monitoring system including timely and appropriate actions on non-compliance.

Each year, 100% of the disposal wells will be inspected for mechanical integrity.

2. EPA

EPA shall conduct periodic site and activity inspections on injection operations, giving priority to operations having the greatest potential to endanger public health.

EPA may participate with the Division in the inspection of wells or operator records. EPA shall notify the Division usually at least ten (10) days prior to any proposed inspection and shall describe the well(s) or record (s) to be inspected and the purpose of such inspection. If the Division fails to take adequate enforcement action against a person violating the requirements for a Class II well, EPA may take Federal enforcement action. Federal enforcement actions will be in accordance with the State, facility and public notification procedures in Section 1423 of SDWA.

3. Emergency Situations

Situations endangering human health will receive immediate and paramount attention by the Division and EPA. The party with initial knowledge of such situation shall immediately notify the other party by telephone.

E. Program Review and Evaluation

1. Division

The Division shall provide EPA with an annual report on the recent operation of the Class II program. Specific contents of the report are described in Attachment #1 and may be renegotiated from time to time. The period to be covered by the annual report shall be the calendar year ending December 31, with reports completed and available to EPA no more than 60 days later (March 1).

In addition, the Division shall provide a separate report of preventive actions taken by operators of new Class II wells. At minimum, this report shall include:

- a. the number and general type (e.g. injection pressure limit) of preventive actions proposed in the applications;
- b. the number and general type of preventive actions actually taken; and

c. if necessary, a brief summary explaining the reason(s) for any differences between proposed and actual preventive actions (e.g., pending actions).

The report is due within 3 months after the second anniversary of the effective date of this Agreement. The final format will be negotiated at least 3 months prior to the due date.

If the Division proposes to allow any mechanical integrity tests other than those specified or justified in the 1425 Demonstration, the Division shall provide in advance to EPA sufficient information about the proposed test that a judgment about its usefulness and reliability can be made.

2. <u>EPA</u>

EPA shall conduct mid-year evaluations at least during the first 2 years of the Division's operation of the program. In part, the mid-year evaluations will be based on the reports provided above. At least 10 days prior to the evaluation, EPA shall notify the Division regarding the information, material, and program areas that will be covered. This may include selected permit files, budget records and public notification and complaint files. The evaluation may be conducted at either the Division's headquarters or one of its district offices.

F. Public Participation

1. Division

The Division shall provide adequate public notice for its proposed actions as described in the Division's 1425 Demonstration. At minimum, the Division shall provide a 15 day public comment period, and make the non-confidential portions of the project plan and the representative Report on Proposed Operations available for review. If the Supervisor determines that a public hearing is necessary, public notice shall be provided at least 30-days prior to the public hearing.

If there are any substantial changes to the approved project plan or representative Report on Proposed Operations, additional public notice will be provided. Examples of substantial changes include significant increases in injection pressures, changes in injection zone, or significant changes in injection fluid.

Copies of such notices shall also be sent to:

a. Director, Water Management Division, EPA-Region 9;

- Chairperson, State Water Resources Control Board;
 and
- c. Chairperson of the affected Regional Water Quality Control Board.

The Division's final decision on proposed actions shall contain a response to comments that summarizes the substantive comments received and the disposition of the comments. This shall become a part of that particular project file.

At a minimum, the Division shall apply these public participation procedures to applications for new underground injection projects, significant modifications to existing permits, and to aquifer exemptions.

2. EPA

EPA shall participate at any scheduled public hearing. at the request of the Division. Such requests shall be made at least 10 days prior to the hearing.

Any appropriate comments on the proposed action shall be made by EPA within the normal fifteen day comment period. The exception is the designation of exempted aquifers (see the section on Aquifer Exemptions).

G. Program Revision

A program revision may be necessary when the Division's or EPA's statutory authority is modified or when there is a substantial modification to the program. The procedure for revising the program shall be that described in 40 CFR 123.13(b).

H. Aquifer Exemption

An Underground Source of Drinking Water (USDW) may be exempted for the purposes of a Class II injection well if it meets the criteria in 40 CFR 146.04.

Aquifers exempted by the Division and EPA under this Agreement shall only be applicable for the injection of fluids related to Class II activities defined in 40 CFR 146.05(b).

Aquifer exemptions made subsequent to the effective date of this Agreement shall not be effective until approved. by the Administrator or Regional Administrator (if delegated) in writing.

After the effective date of this Agreement, an aquifer exemption must be in effect prior to or concurrent with

the issuance of a Class II permit for injection wells into that aquifer.

Aquifers which were proposed for exemption in the 1425 Demonstration and exempted are identified in Attachment \$2. Any aquifer or portion of an aquifer denied an exemption may be resubmitted for consideration. At minimum, the resubmission should include either new data, new boundaries or other modification to the original proposal.

All exempted aquifers are subject to review by the Division and by EPA. For good reason and by mutual agreement between the Division and EPA, the exemption status of an aquifer can be withdrawn. The public participation procedures in the 1425 Demonstration shall be applied prior to the withdrawal of any exemption status.

1. <u>EPA</u>

Within 10 days after receipt of the information on the aquifer(s) proposed by the Division for exemption, EPA shall notify the Division if any additional information is deemed appropriate. EPA shall either approve or disapprove the aquifer exemption within 60 days after receipt of all appropriate information. Any disapproval by EPA shall state the reasons for the decision. Requests for additional information and final determinations on aquifer exemptions shall be in written form.

If the new aquifer proposed for exemption is a non-hydrocarbon bearing USDW, EPA will coordinate its public participation activities on aquifer exemptions with the Division's public participation activities during project review.

I. Other Agency Involvement

The Division shall administer the Class II program and maintain close cooperation with California's State Water Resources Control Board (SWRCB) and the Minerals Management Service.

J. Definitions

- 1. Class II well is defined in 40 CFR 146.05(b).
- Aguifer is defined in 40 CFR 146.03 and 122.3.
- 3. Day in this Agreement is defined as a working day.

- Underground Source of Drinking Water (USDW) is defined in 40 CFR 146.03 and 122.3.
- 1425 Demonstration includes:
 - a. the Division's primacy application dated April, 1981;
 - b. the additional information provided by letter dated March, 1982; and
 - c. the clarifying information provided by letter dated September, 1982.

Regional Administrator

Region 9

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State Oil and Gas Supervisor

Environmental Protection Agency California Division of Oil and Gas

Attachment 1

Annual Report Contents

At a minimum, the Annual Report shall include:

- a. an updated inventory;
- b. a summary of surveillance programs including results of monitoring and mechanical integrity testing, the number of inspections conducted, the number of new wells, corrective actions ordered and witnessed, instances of wells out of compliance and their current status;
- c. an account of all complaints reviewed by the Division and the actions taken;
- d. results of the review of existing wells made during the year;
- e. a summary and status of the enforcement actions taken;
- f. number of emergency permits issued and current status; and
- g. instances of variances and discretionary exemptions during the year.

Attachment 2

Exempted 1425 Demonstration Aquifers

All oil and gas producing aquifers identified in Volumes I, II, and III of the <u>California Oil and Gas Fields</u> submitted in the 1425 Demonstration dated April 20, 1981 are exempted.

In addition, the following aquifers are also exempted.

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DIST	RICT	- FIELD		FORMATION/ZONE
222223334444444444444555556 66		Ramona Oat Mountain South Tapo Canyon Simi San Ardo San Ardo San Ardo Monroe Swell Blackwell's Corner Kern Bluff Kern Front Kern River Mount Poso Round Mountain Round Mountain Buena Vista Kern Bluff Kern River Mountain View Pleito Pleito Poso Creek Coalinga Coalinga Coalinga Guijarral Hills Helm Riverdale Turk Anticline Sutter Buttes Gas Bunker Gas Wild Goose		Pico Undiff. Pico Sespe Santa Margarita Monterey "D" Sand Monterey "E" Sand Santa Margarita Tumey Kern River Santa Margarita Chanac Santa Margarita Walker Olcese Walker Tulare Vedder* Kern River Chanac Kern River Santa Margarita Santa Margarita Santa Margarita Stchegoin-Jacalitos Etchegoin-Jacalitos Tulare-Kern River Pliocene San Joaquin Kdine* Undiff. Undiff.
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^{*}Oil and/or gas producing